

## Message Text

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ACTION H-03

INFO OCT-01 EUR-06 ISO-00 SS-07 AID-01 NSC-06 RSC-01 DRC-01

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 2126

C O N F I D E N T I A L OTTAWA 2752

E.O. 11652: GDS

TAGS: ENRG, CA, US

SUBJECT: RESIDUAL FUEL OIL: CONGRESSMAN KEMP'S MEETING WITH  
NATIONAL ENERGY BOARD (NEB)

1. CONGRESSMAN JACK KEMP, ACCOMPANIED BY EMBOFF, MET  
THE MORNING OF NOVEMBER 19 FOR ONE HOUR WITH NEB  
CHAIRMAN CROWE, MEMBER STABBACK, AND MORGAN FROM OIL  
POLICY BRANCH. KEMP'S PRIMARY CONCERN WAS RESIDUAL  
FUEL OIL SUPPLY FOR R.B. NEWMAN FUEL CORP. (BUFFALO).

2. NEB OFFICIALS OUTLINED IN DETAIL CHAIN OF EVENTS  
LEADING TO IMPOSITION OF RESIDUAL FUEL OIL EXPORT  
CONTROLS ON OCTOBER 15 AND THE SUPPLY UNCERTAINTIES  
CREATED BY ARAB OIL POLICIES. OFFICIALS STATED THAT  
WHILE CANADA HAD EXPORTED 4.1 MILLION BARRELS OF THIS  
PRODUCT TO U.S. IN 1972, EXPORTS HAD RISEN TO 5 MILLION  
BARRELS TOTAL FOR FIRST NINE MONTHS OF 1973 AND IN  
OCTOBER ALONE ANOTHER 3.5 MILLION BARRELS WERE EXPORTED.

3. CONSEQUENTLY SITUATION HAD REACHED POINT BY END OF  
OCTOBER THAT NEB, IN VIEW ITS RESPONSIBILITY TO EXPORT  
ONLY THOSE AMOUNTS EXCESS TO CANADIAN NEEDS, HAD TO  
CONDUCT DETAILED REASSESSMENT OF SUPPLY AND DEMAND,  
PARTICULARLY IN LIGHT OF MIDDLE EAST SITUATION.  
REASSESSMENT DELAYED CONSIDERATION OF EXPORT LICENSE  
APPLICATIONS FOR NOVEMBER UNTIL MID-NOVEMBER AND  
DICTATED APPROVALS IN AMOUNTS LESS THAN REQUESTED.

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4. IN RESPONSE TO DIRECT QUESTION OF CONGRESSMAN KEMP, NEB OFFICIALS STATED EXPECTATION THAT HENCEFORTH LICENSE APPROVALS FOR ANY GIVEN MONTH WOULD BE ANNOUNCED BY END OF PREVIOUS MONTH AND THAT "FLOWS" WOULD CONTINUE, ALTHOUGH NOT NECESSARILY IN VOLUME REQUESTED BY U.S. CUSTOMERS. KEMP SAID THAT EARLY ANNOUNCEMENT OF APPROVALS WOULD BE EXTREMELY HELPFUL TO U.S. CUSTOMERS FOR PLANNING PURPOSES.

5. KEMP DESCRIBED IN SOME DETAIL THE POTENTIAL IMPACT OF FUEL SHORTAGES IN THE BUFFALO AREA AND URGED ALL ASSISTANCE CANADIAN AUTHORITIES COULD PROVIDE.

6. KEMP DID NOT ARGUE ALLEGED NEWMAN CORP. OWNERSHIP OF FUEL IN STORAGE IN CANADA. NEB OFFICIALS STATED THAT PREPAYMENT (OR WHATEVER) FOR IMPORTS DID NOT AFFECT FACT THAT OIL WAS PART OF CANADIAN SUPPLY AND THUS SUBJECT TO CANADIAN CONTROLS, OTHERWISE FIRMS--CANADIAN AND/OR FOREIGN--COULD EASILY SET UP TRANSACTION IN SUCH A WAY AS TO THWART ANY LEGITIMATE EXPORT CONTROLS THAT A GOVERNMENT MIGHT DEVISE. (FOR RECORD, IT MIGHT BE NOTED THAT ST. CATHERINE'S FUEL, WHICH IS STORING THE NEWMAN OIL SUPPLY, IS A SUBSIDIARY OF CANADIAN FUEL MARKETERS WHICH IN TURN IS A SUBSIDIARY OF SHELL ASIATIC.)

7. KEMP ALSO MENTIONED NEWMAN'S INABILITY TO BUY OIL FROM SHELL CANADA. NEB OFFICIAL EXPLAINED THAT THIS CASE SOMEWHAT DIFFERENT. SHELL CANADA'S RESIDUAL FUEL OIL IS BASED ON WESTERN CANADIAN CRUDE (NOT IMPORTED OIL) AND SHELL CANADA HAS NOT REPEAT NOT APPLIED FOR EXPORT LICENSES BECAUSE ITS TANKS ARE NOT YET FULL FOR PURPOSE OF MEETING DOMESTIC REQUIREMENTS. ONCE TANKS ARE FULL, IT IS EXPECTED THAT SHELL CANADA WILL MAKE APPLICATION AND THAT EXPORTS WILL SUBSEQUENTLY BE APPROVED.

8. KEMP REVIEWED NEB MEETING WITH AMBASSADOR PRIOR TO DEPARTURE AND ALSO INDICATED TO ACCOMPANYING EMBOFF THAT HE FELT HE HAD RECEIVED GOOD HEARING BY CONFIDENTIAL

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THE NEB AND THAT HE WAS SOMEWHAT ENCOURAGED ABOUT THE PROSPECTS FOR FUTURE OIL SHIPMENTS.  
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